

# **Restructuring Disability Benefits for State Employees**

Legislation was passed in June 2005 to implement a new Disability Insurance Program offering Short-Term and Long-Term Disability benefits to eligible members of the State Employees' Pension Plan. The Hartford was selected as the vendor for this program in coordination with the Office of Management and Budget's Office of Pensions and Statewide Benefits. The new Disability Insurance Program is effective January 1, 2006.

This program is a result of House Resolution 51 which was passed in 2002 requiring an analysis of how to improve the State's program for income replacement from lost compensation due to sickness or injury. Challenges with existing programs included:

- A variety of different sick leave programs across agencies and school districts.
- A Donated Leave program that also varied across the state and did not always have available leave for all eligible employees. "Popular" employees were more likely to receive direct donations and benefit from the program.
- The Disability Pension Program only provides a competitive income benefit (49.25% of income) for employees with 25 or more years of service. This means that the program is NOT fully useful to over 88% of employees.
- Programs did not have a viable "Return to Work" component.

The new program provides a significant opportunity to improve income protection for employees, a method to reduce costs, ways to improve claim cost management, and an approach for improved financial reporting.

Employees will have a combined Short-Term Disability benefit and a Long-Term Disability benefit. The Short-Term benefit will commence after a 20 day elimination period for continuous illness and will provide a benefit of 75% of pre-disability income for 26 weeks. Employees may use accrued sick leave or vacation leave to increase the payment to 100% of compensation. The Long-Term Disability benefit will commence after the expiration of the 26 week short-term disability and will provide a benefit of 60% of pre-disability income until age 62. Upon reaching age 62, the disability recipient will convert to a service pension benefit.

Employees that are receiving disability benefits will continue to accrue pension service credit and will continue to be eligible for health insurance benefits. There will also be a strong Return to Work program to reduce claim costs and provide assistance to employees.

The legislation enacting the Disability Insurance Program also permits an employee to purchase up to one year of pension credited service for accumulated sick leave in excess of the 90 days paid at retirement. One month of pension service credit can be purchased for each twenty-one days of sick leave accrued not to exceed a total of 12 months of purchased service credit. This provision became effective on 7/1/05.

By law, vested employees (those with five years of pension creditable service as of 12/31/05) may choose to retain the current plan or opt into the new plan. This election period will commence on 10/15/05 and expire on 12/15/05. Employees who do not make an election will remain in the Disability Pension Plan. Communication regarding this election will be mailed directly to the homes of eligible State employees in the near future.

Want more information or have questions concerning the new Disability Insurance Program? Please call the State of Delaware Office of Pensions at (302) 739-4208 or (800) 722-7300.

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